

Acct. 3-3

21 March 1957

File
JFK / LKW

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MEMORANDUM FOR:

Assistant to the Director

SUBJECT:

Report of Audit of Executive Dining Room for
the Year Ended 30 November 1956

1. This report covers an audit of the Executive Dining Room for the year ended 30 November 1956. The audit included a review of accounting procedures, an examination of selected transactions, and a verification of assets. Procedures were improved during the audit period through the installation of a double-entry system by the Office of the Comptroller. However, since maintenance of the records and handling of cash is the part-time assignment of a single employee, certain weaknesses in internal control are inherent. This can be compensated for to a large degree by alert day-to-day supervision of dining room operations.

2. The net worth increased from \$1,471.22 at the beginning of the audit period to \$1,673.13 at the end of the period. This increase of \$221.96 resulted from net income from meals served of \$261.96 less the excess of entrance fees refunded to members over entrance fees received of \$40.00. The statistical records of the dining room show that 3,245 meals were served during the year of which 425 were official and 2,820 non-official. Further financial details are contained in Exhibit A - Statement of Source and Use of Funds.

3. The present \$1.00 charge (reduced from \$1.35 to \$1.00 on 1 February 1956) to members for non-official luncheons is insufficient to recover the total cost of food purchased for these luncheons. Food costs for non-official luncheons for the test month of November 1956 averaged \$1.38. The excess of food costs over amounts paid by members is absorbed in charges to confidential funds for official luncheons. Dining room officials believe this to be proper because it compensates for overhead type expenses which they believe should not be borne by members, such as food spoilage, free meals to four dining room employees (2 full and 2 part time), and the increase in costs applicable to the somewhat more expensive "special" luncheons (served at special meetings of Agency personnel, frequently attended by officials of other Government agencies but not classified as official.) Thus, the \$1.00 charge apparently is aimed more at covering the cost of food actually consumed by members at regular luncheons rather than the total cost of food purchased for such luncheons.

4. There appears to be no question of the desirability of, or even the necessity for, dining facilities for use of the Director of Central Intelligence in an official capacity. On the assumption that it is

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necessary to have these facilities available on a more or less stand-by basis for official use at any time, rather than only available at certain predetermined times, the charging of the overhead expenses of non-official luncheons to the Agency may be justified. However, since the members are receiving their meals under this procedure at the approximate cost of food consumed with the Agency's paying for any overhead, it appears that any accumulated net income belongs to the Agency. Consideration should be given to the return of such funds to the Agency (\$373.18 at 30 November 1956) either annually or currently through reduction of billings to the Agency for official luncheon expense.



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Chief, Audit Staff